



# Michigan Local Government Retirement and OPEB Plans

State Representative Thomas A. Albert  
86<sup>th</sup> House District  
10/25/2017

# Plan Comparison

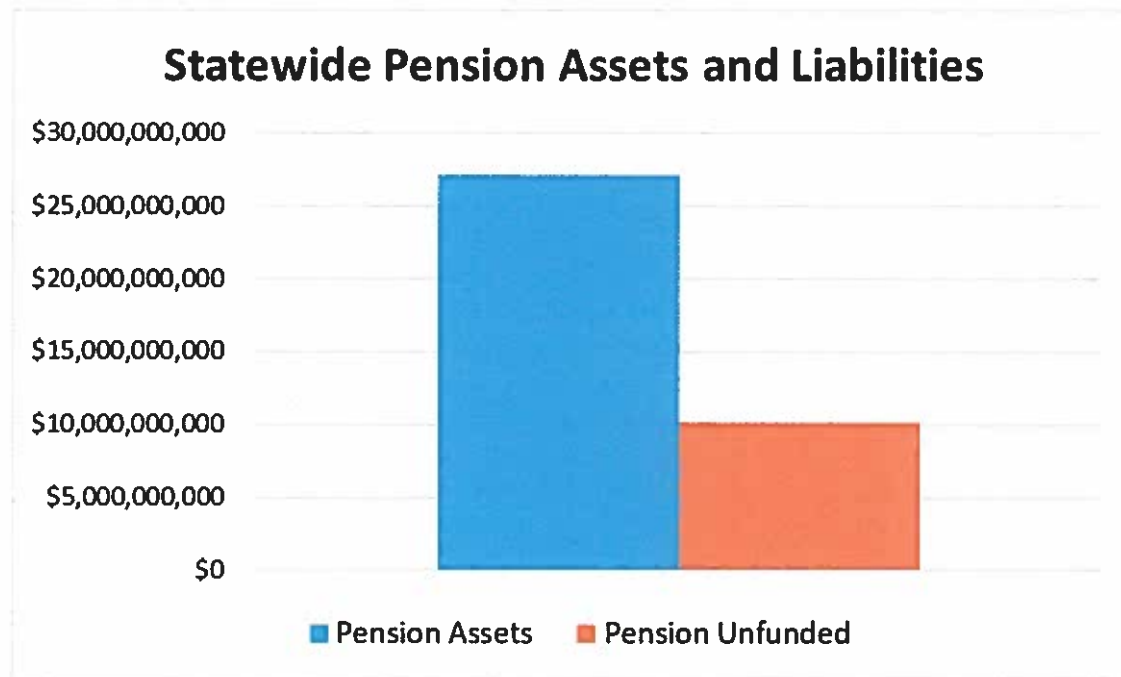
## Pension

- Constitutionally Protected
- ARC Funding Requirement
- $\text{Income} = \text{FAC} \times \text{Yrs} \times \text{Mult}$

## OPEB (AKA- Retiree Health Care)

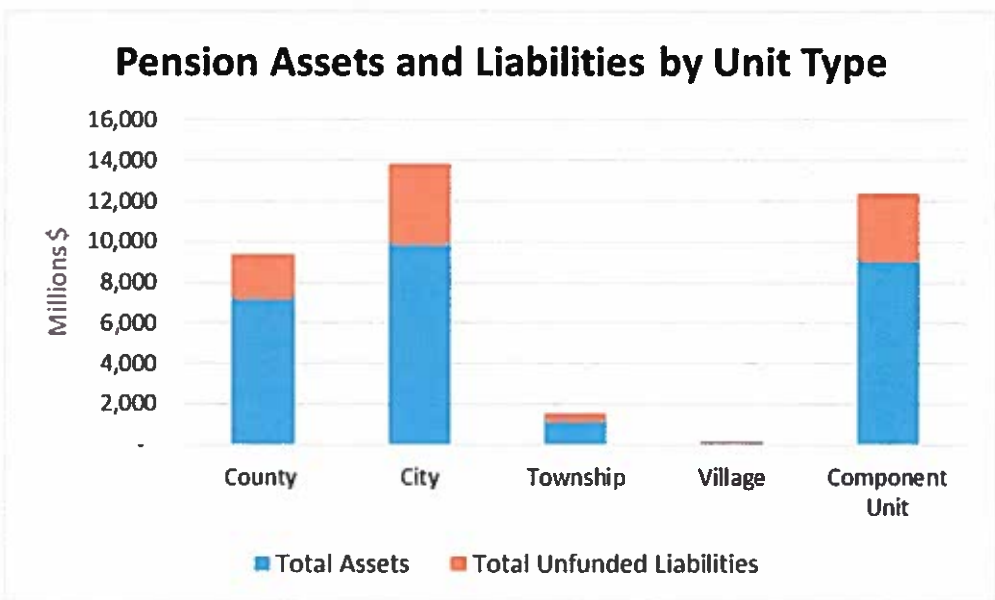
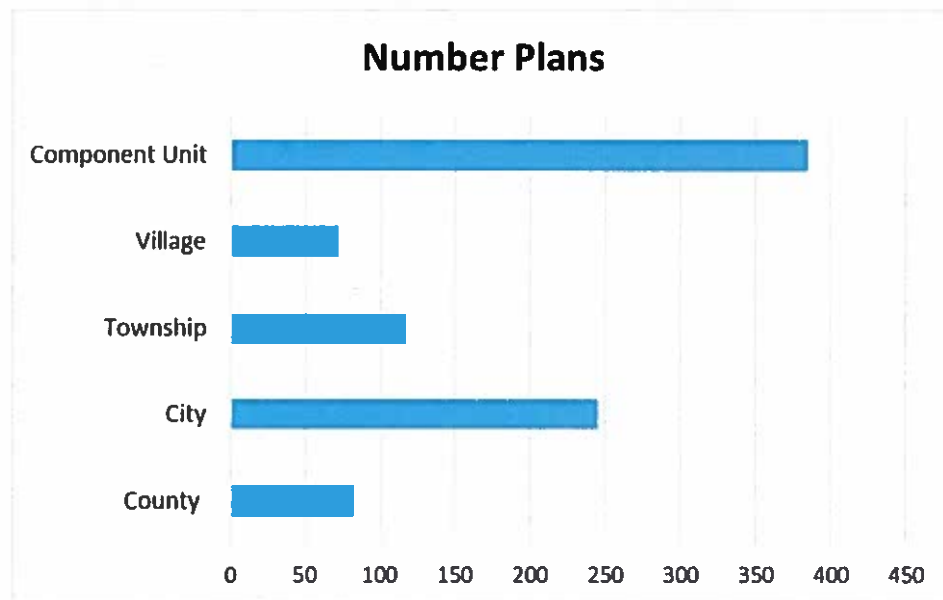
- Contractual
- No Funding Requirement
- Future Health Care Costs?

# Statewide Pension Assets and Liabilities



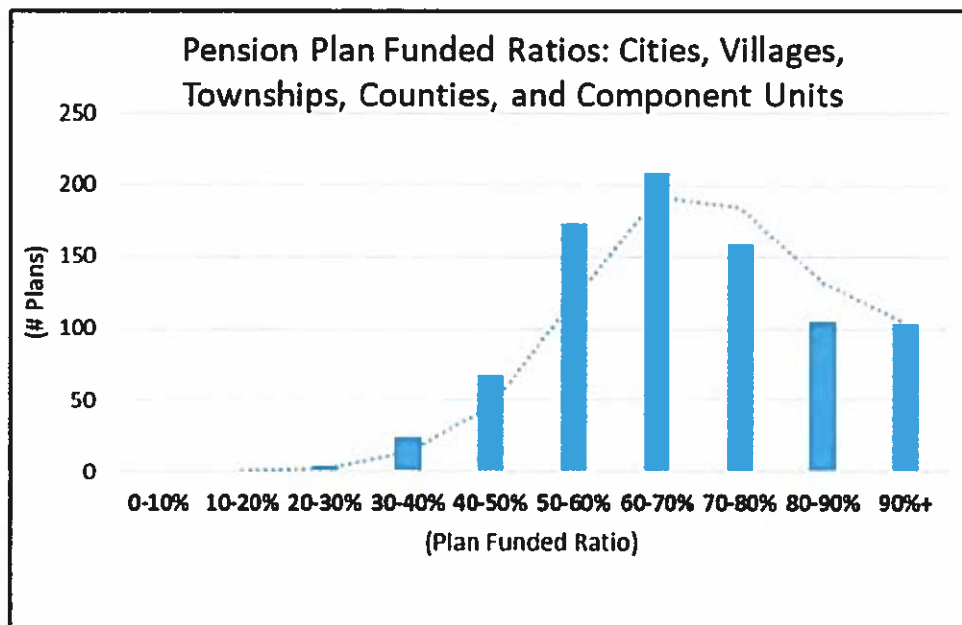
- \$27.1B Assets
- \$10.1B Unfunded
- 73% Funded Ratio

# Pensions Plans by Local Unit Type



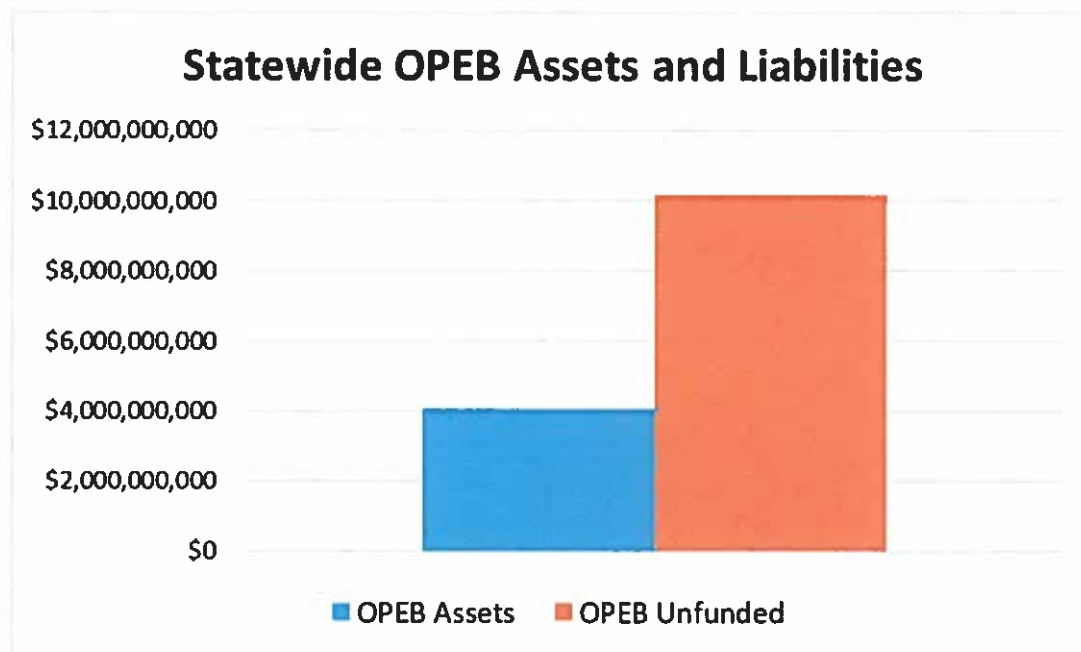
- Component Units include: Utilities, Transportation, Road Commissions, Police and Fire, Medical, Libraries, Housing Commissions, Health Departments, and Other

# Pension Funding Distribution



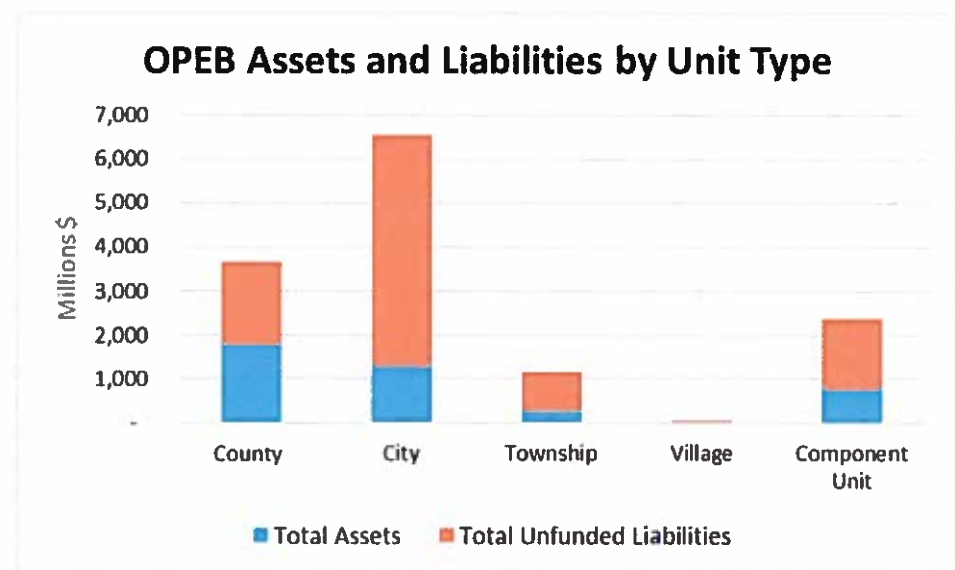
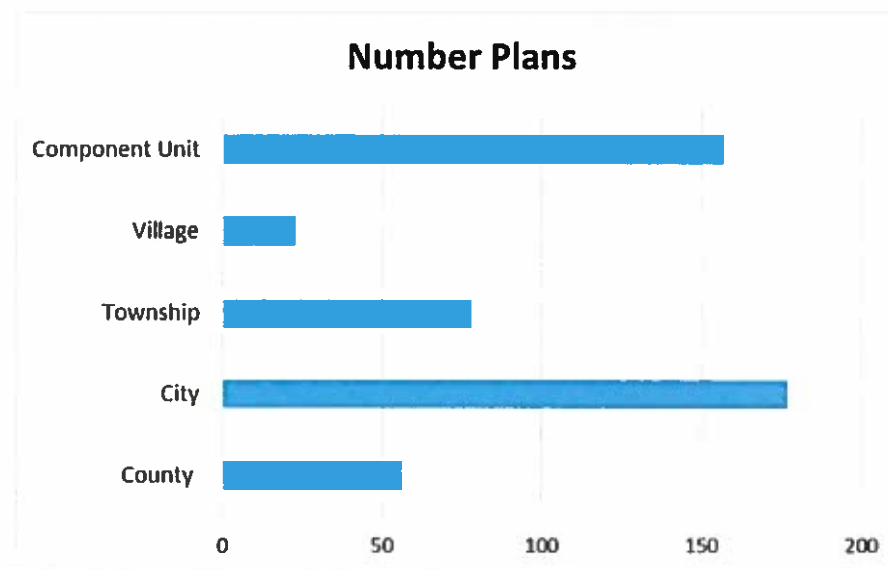
- ~901 Total Pension Plans
- 400+ Plans below 70% Funded
- Typical Plan has 7.75% Return Assumption and Open Debt Structure

# Statewide OPEB Assets and Liabilities



- \$4B Assets
- \$13.8B Unfunded
- 30% Funded Ratio

# OPEB Plans by Local Unit Type



- Component Units include: Utilities, Transportation, Road Commissions, Police and Fire, Medical, Libraries, Housing Commissions, Health Departments, and Other

## OPEB Funding Distribution

OPEB Funding Levels		
0%	216	44.0%
<10%	288	58.7%
<20%	326	66.4%
<30%	336	68.4%
<40%	389	79.2%
>80%	43	8.8%
Total # Plans	491	

- A significant number of plans are at great risk



# Worst Case Scenario...City of Detroit

- OPEB Liability
  - ~\$5,700,000,000 in 2013
  - ~\$ 238,000,000 in 2016
- Cut was result of decades of overpromising and neglecting financial realities
- Negatively impacted:
  - Retirees
  - Community
  - Future Generations

**Without action Detroit scenario will replay throughout Michigan**



# Unfunded Liabilities...A Cancer throughout MI

- Ionia County Road Commission (2015)
  - Pension
    - \$6M Assets
    - \$10.5M Unfunded
    - 36.3% Funded
    - Contributions = \$736K Employer + \$87K Employee
    - Covered Payroll = \$1.8M (~46% payroll to pension contributions)
  - OPEB
    - \$141K Assets
    - \$8.1M Unfunded
    - 1.7% Funded
    - ARC = \$555K
    - Pay-as-you-go Contribution = \$258K

# The Story of the Ionia County Road Commission

YEAR	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Members	61	60	55	52	46	47	45	45	47	44	45	45	44
Retirees	0	3	4	6	12	14	16	18	20	25	28	28	32
Annual Payroll	\$1,536,518	\$1,475,660	\$1,395,189	\$1,329,860	\$1,320,990	\$1,352,772	\$1,456,496	\$1,448,707	\$1,591,958	\$1,528,275	\$1,684,922	\$1,775,830	\$1,849,503
Annual Contrib	\$261,404	\$265,444	\$227,359	\$226,858	\$255,513	\$263,152	\$376,424	\$391,329	\$388,919	\$417,374	\$445,500	\$457,992	\$474,768
Asset Valuation	\$0	\$32,766	\$591,898	\$823,140	\$1,266,466	\$1,621,158	\$1,787,098	\$2,038,067	\$2,444,335	\$2,782,585	\$3,047,093	\$3,270,344	\$3,703,061
Unf Accr Liab	\$2,756,893	\$2,875,856	\$3,394,616	\$3,390,190	\$3,785,720	\$3,969,010	\$5,509,868	\$5,689,561	\$5,402,473	\$6,012,230	\$6,724,526	\$6,843,460	\$7,042,796
Funded %	0.00%	1.00%	14.80%	19.50%	25.10%	29.00%	24.50%	26.40%	31.00%	31.60%	37.30%	32.30%	34.00%

YEAR	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Members	44	43	41	40	38	37	37	37	37	37	37	38	35
Retirees	35	35	38	39	40	39	39	38	38	38	41	42	45
Annual Payroll	\$1,788,504	\$1,832,290	\$1,763,406	\$1,826,358	\$1,801,703	\$1,712,644	\$1,700,070	\$1,711,666	\$1,710,475	\$1,787,895	\$1,885,320	\$1,822,574	\$1,897,922
Annual Contrib	\$488,616	\$505,164	\$515,616	\$554,304	\$564,476	\$559,512	\$565,272	\$580,764	\$600,204	\$619,332	\$658,356	\$788,856	\$857,532
Asset Valuation	\$3,929,649	\$4,129,025	\$4,335,091	\$4,541,216	\$4,621,113	\$4,793,333	\$4,988,708	\$5,278,435	\$5,562,792	\$6,088,957	\$6,570,328	\$6,831,142	\$7,133,855
Unf Accr Liab	\$7,540,659	\$7,830,245	\$7,904,986	\$8,381,241	\$8,844,391	\$8,349,084	\$8,474,926	\$8,495,342	\$8,578,889	\$8,711,565	\$9,237,097	\$10,158,951	\$10,861,714
Funded %	34.00%	35.00%	35.40%	35.00%	34.00%	36.50%	37.00%	38.30%	39.30%	41.00%	41.60%	40.20%	39.60%

- Multiplier Increased from 1.5% to 2%

- Number of employees down 43%

**\*Paid Pension ARC every year**

# The Audacity of Hope...City of Grand Rapids

- OPEB in 2009
  - \$0 Assets
  - \$223M Unfunded
  - 0% Funded
- Plan Changes
  - Closed Defined Benefit OPEB to New Hires
  - Premium Sharing for Retirees
  - Non-Vested Employees to DC Plan
  - Started Pre-Funding
- OPEB 2016
  - \$41M Assets
  - \$111M Unfunded
  - 27% Funded

**Sound fiscal planning and  
local commitment can lead  
to positive results**



# Thank You and Questions

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